

**POVERTY ASSESSMENT
IN THE PHILIPPINES AND INDONESIA:
A METHODOLOGICAL COMPARISON***

*Abuzar Asra, Isidro P. David and Romulo A. Virola***

INTRODUCTION

The international statistical system has yet to develop standard definitions and methods for measuring poverty incidence. The lack of international standards compels individual countries to devise their own, with the result that poverty statistics are rarely comparable. The non-comparability can be so gross that the poverty statistics distort the otherwise orderly ranking of countries based on other basic needs indicators.

Consider, for example, the 'official' data of four Association of Southeast Asian Nations (ASEAN) members, shown in Table 1. Around 1992, Indonesia reported the lowest percentage of poor people, but the highest infant mortality rate (IMR) and lowest human development index (HDI). Indonesia's poverty incidence was lower than Malaysia's, although the latter's real per capita GDP was 2.5 times higher and its IMR 4.5 times lower. Moreover, if one accepts that the average Thai enjoys a two-fold advantage in income, it would then be difficult to concede that poverty incidence is significantly higher in Thailand than in Indonesia.

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** Statistician and Assistant Chief Economist, Asian Development Bank and Secretary General, National Statistical Coordination Board, the Philippines. The views expressed in this paper are those of the authors and not of the ADB or NSCB.

The estimates of HDI, IMR and literacy rate collectively point to a slightly lower, or at most a broadly comparable, social condition in Indonesia than in the Philippines. Hence, a 24-percentage point difference in poverty incidence in favor of Indonesia is disturbingly too wide: if accurate, it would imply that while there were three times more Indonesians than Filipinos around 1995, the numbers of poor people were about equal — 23 million — in each country. The certitude, if not the statistical accuracy, of both estimates have been questioned. A World Bank report (1993a) has argued that the Philippines' poverty line is overstated, leading to its unreasonably high poverty incidence relative to that in Indonesia and Thailand. Likewise, as we will show in this paper, the opposite may be true for Indonesia, i.e. its poverty line is understated leading to a much lower poverty incidence compared to the Philippines.

Table 1. Selected economic and social indicators, 1992^a

Indicator	Indonesia	Malaysia	Philippines	Thailand
1. Poverty incidence ^b	15.8	17.1 (1990)	39.9 (1989)	21.3 (1991)
		11.3 (1996)	11.1 (1995)	35.5 (1994)
2. Real GDP /capita (PPP\$)	2,950	7,790	2,550	5,950
3. HDI	0.637	0.822	0.677	0.828
4. IMR per 1,000	58	13	54	37
5. Adult Literacy (%)	82	82	94	94

Sources: Indonesia (CBS, 1994); Malaysia (Sixth Malaysia Plan, 1991-1994); Philippines (NSCB, 1995); Thailand (UNDP, 1995); and Human Development Report 1995 (UNDP, 1995).

Notes: a. All figures refer to 1992, unless noted otherwise.

b. Percentage of poor people except for Malaysia and the Philippines where the figures represent percentage of poor households and families, respectively.

Another way to view the non-comparability of poverty incidence estimates is to compare the poverty lines against a common benchmark. Alternative benchmarks are the upper per capita poverty line, lower per capita poverty line (both expressed in terms of purchasing power parity (PPP) provided by the then Social Dimension Unit of ADB), or the World Bank's benchmark of US\$ 1.00 a day (in terms of purchasing power parity).

Table 2 shows that with the exception of rural Indonesia, the official poverty lines of the four countries are all higher than the three alternative benchmarks cited above. Indonesia's poverty line is the closest to these benchmarks while Thailand's is three to more than four times as high and Malaysia's and the Philippines' are about twice as high. It is also worth noting that while Thailand has the highest official poverty line among the four countries, much higher than Malaysia's and the Philippines', and more than three times as high as Indonesia's, Table 1 indicates that around 1990 its poverty incidence is much lower than that of the Philippines and only slightly higher than those of Indonesia and Malaysia. These results show that poverty incidence based on official poverty statistics in the four countries are not directly comparable due to over or under estimation.

Table 2. \$450 (PPP), \$335 (PPP), "World Bank Standard" poverty line (365 PPP), and official poverty in US\$ in 1990

Country	\$450 PPP	\$335 PPP	Official	Poverty Line		Ratio
	in US\$	in US\$	Poverty Line	(3)/(1)	(3)/(2)	(3)/ \$365PPP in US\$
	(1)	(2)	(3)	(4)	(5)	(6)
Thailand	140.25	104.41	452.95(U) 299.64(R)	3.22 2.14	4.33 2.87	3.98 2.63
Indonesia	115.29	85.83	134.23(U) 86.57 (R)	1.16 0.75	1.56 1.01	1.43 0.92
Malaysia	180.66	134.49	337.15	1.86	2.51	2.30
Philippines	138.33	102.98	254.78	1.84	2.47	2.26

Source: Columns 1 to 3 were taken from the results of preliminary work of the then SDU, ADB, 1994.

Notes: Column 1 was derived by dividing PPP \$450 by the ratio between GDP per capita in PPP\$ and GDP per capita in US\$.

Column 2 was derived using similar procedure.

Column 3 was derived by dividing the official poverty line with the official exchange rate.

The aim of this paper is to illustrate that existing official poverty statistics cannot be directly used for cross-country comparison. In particular, the paper presents an assessment of poverty measurement in the Philippines and Indonesia by examining the methodologies used, identifying the sources of disparity in the poverty statistics, and providing more comparable poverty estimates in the two countries.

Section I provides the background of the study while Section II presents the poverty incidence trends in the Philippines and Indonesia according to "official" statistics. Section III examines the definitions and methods employed by the two countries in deriving their poverty lines, for purposes of identifying the sources of and reasons for the large difference in the two countries' estimates of poverty incidence. In Section IV, essentially similar methods of poverty line estimation were tried on Philippine and Indonesian data, which led to relatively more comparable estimates¹. The conclusions are presented in the last section.

OFFICIAL POVERTY STATISTICS: PHILIPPINES AND INDONESIA, 1984-1996

Table 3 shows the official poverty incidence estimates in the two countries for 1984-1996. For Indonesia, the figures used are those published by the Central Bureau of Statistics (CBS), while those for the Philippines are provided by the National Statistical Coordination Board (NSCB). The figures, based on both old and new/revised methodologies, indicate that in both countries the poverty incidence has declined over the years.

They also indicate that during the period, the poverty incidence in the Philippines is higher than in Indonesia. On the whole, during the period 1984-1988, the difference is about 37 percentage points, while during the period 1990-1994, using the new methodology in both countries, the difference dropped to about 24 percentage points. As stated before, this wide difference is rather doubtful as the stage of economic development, measured by standard macro-social and economic indicators, is about the same. For instance, the Purchasing Power Parity Adjusted GDP per capita (in international dollar) in Indonesia was 1,660 in 1987, while in the Philippines in the same year, it was only slightly higher at 1,878 (UNDP, 1990). In 1992, it

1. There have been earlier attempts, e.g. by Johansen (1993) which derived so called "equivalent" poverty lines to compare poverty levels across some East Asian countries. However, in Johansen's estimates, the resulting lines are strictly not comparable since the derivation of the equivalent poverty lines used the non-food share in official poverty lines. As will be shown here, the approach used in allowing for the non-food components in the calculation of the total poverty line is a major source of differences in the methods and estimates, as will be exemplified more explicitly in the Philippines and Indonesia.

Table 3. Trends in the official poverty incidence in the Philippines and Indonesia

	Philippines						Indonesia					
	Old method			Revised Method			Old Method			New method		
	U	R	T	U	R	T	U	R	T	U	R	T
1984	-	-	-	-	-	-	21.2	23.1	21.6	-	-	-
1985	52.5	62.2	58.5	33.8	50.7	44.2	-	-	-	-	-	-
1987	-	-	-	-	-	-	20.1	16.4	17.4	-	-	-
1988	48.2	58.5	55.2	30.1	46.3	40.2	-	-	-	-	-	-
1990	-	-	-	-	-	-	16.8	14.3	15.1	16.1	15.7	15.8
1991	49.6	62.0	55.8	31.1	48.6	39.9	-	-	-	-	-	-
1993	-	-	-	-	-	-	14.2	13.1	13.5	13.4	13.8	13.7
1994	-	-	-	24.0	47.0	35.5	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	9.7	12.3	11.3

Sources: CBS (1984, 1987, 1989, 1994 and 1997) and NSCB (no date and 1995).

Note: Percentage of poor families for the Philippines and percentage of poor people for Indonesia.

was 2,950 and 2,550 in Indonesia and the Philippines, respectively (UNDP, 1995).

Another observation is that while poverty incidence in rural Philippines has always been higher than in urban areas, the opposite situation holds in Indonesia for the period 1987 to 1993 when the old methodology was still being used. This particular result raises questions on the methodological underpinnings of Indonesia's poverty statistics (World Bank, 1993b). As explained by Asra and Virola (1992), these unexpected results of the urban-rural comparison in Indonesia are partly due to the urban-rural differences in the estimation of the price per calorie consumed that is used in calculating the poverty line. The 1987 National Socio-Economic Survey of Indonesia indicates that the urban population tends to consume food that has better quality but less calories (food consumed in urban areas has higher protein content and lower share of total calories derived from less nutritious food items such as cereals, roots and tuber and sugar). This leads to higher estimates of price per calorie and consequently, higher poverty lines, for the urban areas compared to the rural areas.

REVIEW OF EXISTING METHODOLOGIES

The gross disparity between the poverty statistics of the two countries with similar macro-economic standing calls for an investigation of the underlying methodological underpinnings. This section provides a review and comparison of the methodologies used in the Philippines and Indonesia in deriving their poverty lines. The discussion is confined to poverty lines and poverty incidence as measured by the headcount index.

Poverty Line and Incidence: Philippines

The Philippine government first published poverty statistics in 1986, when an inter-agency Technical Working Group (TWG) on poverty determination was created which came up with a methodology and poverty estimates for 1985. The food poverty line is computed based on food requirements satisfying recommended dietary allowances for calories, protein and other nutrients. Low cost menus (for breakfast, lunch, supper and snack) for urban and rural areas of each region are developed. These menus are supposed to meet 100% of the energy requirement of 2,000 calories per capita, 100% of protein requirements and 80% of other nutrients. These menus are then translated into about 20 food items with the corresponding required weights. The actual prices of the ingredients are applied to produce the food cost or the food poverty line in each region with urban-rural disaggregation.

Before 1992, the poverty line was estimated by dividing the food poverty line by the ratio of food expenditure to total expenditure. The latter ratio was estimated from the consumption pattern of sample families of size six (the average family size) in the Family Income and Expenditures Survey (FIES). The poverty incidence is obtained by computing the proportion of households/individuals with per capita income below the per capita poverty line.

The Orhansky-type of approach used by the Philippines to compute the poverty line from the food poverty line could be one of the major sources of the slowly declining trend of the poverty incidence in the country. Over the years, as a country develops, the proportion of total expenditure that goes into food would be expected to become smaller. Hence, this procedure of determining the poverty line would result in unnecessarily inflated poverty lines leading to a

trend in poverty incidence which declines at a rate slower than what it might actually be (see Asra and Virola, 1992). The use of this approach, which may lead to inconsistent poverty profiles over time, has also been questioned (World Bank, 1993b).

Since 1992, the Philippines started using a revised methodology, which is basically the same as the old one except for the omission of some non-food requirements which are not considered to be basic. Unlike the old approach, the revised approach no longer includes some non-food items such as alcoholic beverages, tobacco, recreation, durable furniture and equipment, and miscellaneous and other expenditures. Moreover, although the same "ratio" approach is used in the revised methodology, the ratio is estimated using the consumption pattern of the FIES sample families which belong to the income distribution within ten percentile of the food poverty incidence. This is based on the premise that in estimating a parameter that measures the relationship between the food and nonfood components of the poverty line, the consumption pattern of the rich should not be used. This revised approach led to a reduction in the poverty line and poverty incidence for the Philippines (see Table 3).

Poverty Line and Incidence: Indonesia

Official poverty statistics of Indonesia for 1976 to 1981 were published by the Central Bureau of Statistics (CBS, 1984) using data from the National Socio-Economic Survey or SUSENAS. The CBS defined the food poverty line as the total expenditure needed to satisfy the energy requirement of 2,100 calories per capita per day. To derive the food poverty line, CBS (see Asra and Virola, 1992) tabulated the distribution of the SUSENAS sample by monthly total expenditure per capita, showing for each of 11 expenditure classes, the monthly per capita food expenditure, the per capita calorie consumption per day and the average price per calorie (computed by dividing per capita food expenditure by the per capita calorie consumption). In addition, for each class, the monthly per capita total expenditure in calorie terms (TEC) which measures the potential level of calorie consumption if all expenditures went to food was computed by dividing total expenditure per capita by average calorie price. The food poverty line is derived by interpolation between the two classes with TEC closest to but greater than the Recommended Daily Dietary Allowance of 2100 calories.

The poverty line was computed by adding a certain percentage of the food poverty line to account for the non-food component. The percentage adjustment is derived as the proportion of the expenditure on a fixed basket of basic non-food items to total expenditure of the class where the food poverty line lies (considered as the "poor" class). However, since 1990, Indonesia has used the absolute amount of expenditure of some essential non-food commodities to derive the poverty line (see CBS, 1992, p. 11). For 1990, the non-food expenditure for those essential non-food commodities (different for urban and rural) was obtained for the expenditure class in which the food poverty line lies.

The number of the poor was calculated by interpolation using the class with expenditure closest to but lower than the poverty line. Finally, the poverty incidence was computed as the proportion of the poor to the total population.

Since 1993, Indonesia has used a completely different approach for poverty measurement. For the first time the "food bundle approach" was used. Fifty-two food items were chosen (for both urban and rural areas) and their quantities determined to satisfy the 2,100 calorie requirement. This is done by multiplying each of the quantities of the reference food bundle by the required calorie - to - actual calorie ratio, i.e. $(2100/\text{actual calorie of the food bundle})$. The criteria used for selecting the commodities in the food bundle are the major sources of calorie consumed, number of households consuming the commodity and other factors, such as the importance of the commodity and the representativeness of each food-group (CBS, 1994, p. 5). The quantities consumed and the prices of those 52 items in urban and rural areas were, of course, different. The prices used were the implicit prices in the SUSENAS. The food poverty lines for the two areas were then computed.

In addition, the number of non-food items was increased from 12 to 13 items in 1990 to 46 items in 1993, representing essential non-food needs, such as housing, clothing, education, health, transportation, durable goods and essential miscellaneous items. Moreover, the data used for determining the non-food commodities were based on the 1993 SUSENAS and a special survey called *Survei Paket Komoditi Kebutuhan Dasar* (Survey of Basic Needs Commodity Basket) conducted in ten provinces covering 800 households. The criteria used for selecting the commodities in the non-food bundle are, among others, the expenditure share in each sub-group of non-food

items and number of households consuming the commodity (CBS, 1994, p. 9). The non-food commodities were no longer of "the poor" but the "ideal" non-food commodities and were the same for both urban and rural. Based on price data, the non-food allowance is computed. In 1996 the non-food component was reestimated to take into account the change in the consumption pattern by undertaking a similar but larger survey in 27 provinces covering about 5000 households. The poverty line is then obtained by simple addition of the food poverty line and the non-food poverty allowance.

This new methodology for deriving food poverty line is easier to understand and simpler in terms of data requirement. This methodology does not require the availability of calorie price data and avoids the "imaginary" assumption that all expenditure is spent on food as is initially assumed in the old methodology.

Two-country comparison of poverty lines

The changes in methodology adopted by the two countries brought about a sharp decline in the poverty incidence estimates for the Philippines, in contrast to the insignificant effect of the methodological change in Indonesia.

The approaches used in deriving poverty incidence in the two countries differ, at least, in two respects. The first is related to the type of data employed. The Philippines uses the distribution of families by family income while Indonesia uses the distribution of the population by per capita expenditure. In other words, the poverty incidence of 55.2 % in the Philippines in 1988 means that 55.2% of the families were poor, while the poverty incidence of 17.4% in Indonesia in 1987 means that 17.4% of the population were poor. The effect of the type of data used in the two countries does not have a significant influence on poverty estimates, however. Even if Indonesia were to use household distribution by income for 1987, one finds that the poverty incidence in Indonesia would be about 19.2%, a difference of only 1.7 percentage points from the official figure of 17.4% (Asra and Virola, 1992). This difference of the type of data employed remains even after the two countries have revised their methodologies.

Significant comparability problems occur due to the differences in the approach taken in deriving the poverty line from the food poverty

line. In the old methodology of the Philippines, the ratio method (applied region-wise) was used to mark-up the food poverty line. The ratio employed was the ratio of food expenditure to total expenditure. However, in the old methodology of Indonesia, a percentage expenditure of some basic non-food items to total expenditure of the "poor group" (applied to urban and rural areas separately) was employed to calculate the nonfood component of the total poverty line. Moreover, in 1990, to allow for the non-food requirements in the poverty measurement, Indonesia used the absolute amount of expenditure of 12 to 13 non-food items to derive the total poverty line.

The difference in the approach for allowing for the non-food component in the poverty calculation used in the two countries has remained even under their new/revised methodologies. In Indonesia, the total expenditure for 46 basic non-food items was **added** to the food poverty line to derive the poverty line (also for urban and rural areas separately). It means that in deriving the poverty line, the Indonesian new methodology uses **absolute** expenditure of some **food** and **non-food** items which are considered basic. Meanwhile, in the case of the Philippines, although the requirements for the nonfood component have been reduced by omitting expenditure items that are not considered basic, the revised methodology still uses the ratio method for deriving the poverty line from the food poverty line.

The difference in the methodology used for taking into account the non-food requirement in the poverty lines calculation has a significant effect on the poverty incidence estimation. Table 4 shows the magnitude of the percentage adjustment used in the two countries for the period 1984-1996. The figures show that during the period 1984-1996, for both countries, the adjustments made to allow for the nonfood component in urban areas were higher than in rural areas. However, the difference between the adjustments used in urban and rural was much higher in the Philippines. In the Philippines in 1985, for example, the adjustment for urban areas was 111% and for rural areas it was 68%, leading to a difference of 43 percentage points, while in Indonesia in 1984, the difference was only 12 percentage points. In the revised methodologies, these differences were reduced and considerably so in the case of the Philippines.

Table 4 also clearly indicates that the adjustments made to the food poverty lines in Indonesia were very much lower than the

adjustments used in the Philippines. In Indonesia in 1984, for instance, the poverty line was only about 11% higher than the food poverty line while in the Philippines in 1985 the poverty line was about 87% higher than the food poverty line. The difference in the adjustments used in the two countries even widened over a span of four years (1984–1988). In 1987, the adjustment used in Indonesia to the food poverty line to arrive at the poverty line was only 10% while in 1988 in the Philippines it was 93%. This big difference certainly should account for much of the observed difference in the poverty incidence in the two countries.

It is interesting to note that while the revised methodology of the Philippines has led to a lower percentage adjustment, the new methodology of Indonesia has resulted in a higher adjustment. Thus, Table 4 shows that this change has led to a narrower gap of the percentage adjustment used in the two countries. This also implicitly reflects the realization that in the past, the Philippine allowance for nonfood expenditures was too generous while the Indonesian allowance was too limited.

Table 4. Percentage adjustment to the food poverty line to derive the poverty line, Philippines and Indonesia, 1984–1996

Year	Philippines			Indonesia		
	Urban	Rural	Total	Urban	Rural	Total
1984	–	–	–	19.1	7.0	10.8
1985	110.3	68.2	86.9	–	–	–
1987	–	–	–	17.8	6.0	9.5
1988	112.5	74.3	92.8	–	–	–
1990	–	–	–	17.6	5.4	–
1991	<i>52.7</i>	<i>42.6</i>	<i>48.2</i>	–	–	–
1993	–	–	–	19.7	17.1	–
1994	<i>51.8</i>	<i>42.7</i>	<i>47.5</i>	–	–	–
1996	–	–	–	28.8	18.2	–

Sources: 1. For 1984–1988, see Asra and Virola (1992).

2. For 1990–1996: CBS (1994 and 1997) and NSCB (1995).

Note: Figures in italic are based on new methodology (Indonesia) and revised methodology (the Philippines).

COMPARABLE ESTIMATES FOR THE PHILIPPINES AND INDONESIA

Based on the available data, there are at least four approaches to derive more comparable estimates of the poverty incidence in the two countries. First is to use the food poverty lines only, which were derived using the old methodologies in both countries. Second is to apply the Philippine adjustments for non-food requirement to Indonesia's food poverty lines. Third is to use Indonesia's procedure for adjusting the food poverty line to derive the poverty line to the Philippines' case. In all comparisons, the (almost) **similar type of data** for computing poverty incidence is used, i.e. families by family income or expenditure for the Philippines and households by household income or expenditure for Indonesia. Finally, a complete adoption of the Philippine methodology to the Indonesian case or vice versa, but using different types of data (income for the Philippines and expenditure for Indonesia). However, the adoption of the Indonesian methodology to the Philippine situation is not possible due to data limitation.

The results of the first three approaches are presented in Table 5 below, while the results of the fourth approach are shown in Table 6. As the data available for this study are only for the period of 1984–1988, the recomputation is limited to that period only and therefore uses the old methodologies of both countries.

In Indonesia, using the same poverty line, the poverty incidence during the 1984–1988 period based on households by household expenditure has always been higher than that based on households by household income (see Table 5). This occurs because some households that are not poor based on income (their income is higher than the poverty line) spent less than the poverty line leading to a higher poverty incidence based on household expenditure. For the Philippines, the figures are not directly comparable due to a slight difference in the way the poverty incidence was derived². However, the effect of this difference cannot fully explain the observed phenomenon in the two countries that expenditure-based poverty incidence is higher than income-based poverty incidence.

2. Instead of using 14 regions and urban-rural split like in the case of income-based poverty incidence, the calculation of national poverty incidence based on expenditure uses only urban-rural split.

The results show that using the food poverty line and household expenditure, the poverty incidence in Indonesia in the years 1984–1988 was lower than in the Philippines, but the difference was only about 14 to 16 percentage points, while using household income, the difference is much lower, only 4.5 percentage points (Table 5). This is a big ‘reduction’ from the ‘official’ difference of 37 percentage points during 1984–1988 (see Table 3). Table 5 also indicates that using the poverty line where Indonesia uses the Philippine method for non-food allowance, the difference of the poverty incidence in the two countries during 1984–1988 would reduce to between 21 to 26 percentage points, if the expenditure data were used and around 16 percentage points if the income data were applied. If the Philippines were to use Indonesia’s approach for non-food allowance, the difference in the poverty incidence would have been 17 percentage

**Table 5. Comparable estimates of poverty incidence
in the Philippines and Indonesia, 1984–1988**

Year/approach	Household ^a by household expenditure		Household ^a by household income	
	Philippines	Indonesia	Philippines	Indonesia
1. Using FPL ^b				
1984	–	22.6	–	–
1985	36.9	–	24.4	–
1987	–	19.7	–	15.8
1988	36.2	–	20.3	–
2. Using PL ^b (Philippines’ way)				
1984	–	48.1	–	–
1985	70.4	–	58.5	–
1987	–	46.8	–	39.5
1988	73.2	–	55.2	–
3. Using PL ^b (Indonesia’s way)				
1984	–	27.26	–	–
1985	42.86	–	39.21	–
1987	–	23.82	–	19.15
1988	41.92	–	35.41	–

Source: Asra and Virola (1992).

Notes: a. The Philippines uses the concept of family with the definition which is only slightly different from the definition of household used in Indonesia.

b. FPL and PL stand for food poverty line and poverty line, respectively.

points as compared to the unbelievably high 37 percentage point difference in the official estimates. Hence, the first three approaches show that the observed wide difference in the estimates of poverty incidence in the two countries as shown by the official figures is due mostly to the methodological differences.

A complete adoption of the Philippine methodology for deriving the poverty line for Indonesia would provide more comparable figures of poverty incidence in the two countries for the period 1984-1988. Ideally, there should be a menu for each of the 27 provinces of Indonesia. However, as the menus are not available, the so-called "food sufficiency" (Hardinsyah and Suharjo, 1983) is used to derive the food cost per capita per day (food poverty line). This food sufficiency factor reflects food consumption and preferential pattern, the recommended nutrient intake and the potential production of each province. In deriving the food poverty line, the implicit SUSENAS prices (urban and rural separately) were used. The poverty line per capita per day for each province was derived by dividing the food poverty line by the ratio of food expenditure to total expenditure obtained from the SUSENAS. Then, the household poverty line per month for each province was derived using the household size of the province. This was then used to calculate the poverty incidence for each province for 1984 and 1987 using the distribution of households by household expenditure. The poverty incidence for Indonesia as a whole was derived using the number of the households and poor households of each province.

Table 6 provides a summary of the results. Using the food poverty lines, **the poverty incidences** in the two countries (the number of poor families in the Philippines and the number of poor households in Indonesia) in 1984-1988 **did not differ** significantly. The poverty incidence in Indonesia was slightly higher than that in the Philippines with a gap of only 2 percentage points if one compares the 1984 poverty incidence in Indonesia with the 1985 poverty incidence in the Philippines and less than 1 percentage point for 1987-1988. In Indonesia, like in the Philippines, rural poverty incidence was higher than urban poverty incidence.

Based on the total poverty lines, it is clearly seen that while the official estimates of the poverty incidences in the two countries during 1984-1988 showed a difference of about 37 percentage points (Table 3), the difference reduces to about 4 to 8 percentage points

**Table 6. More comparable estimates of poverty incidence
in Philippines and the Indonesia, 1984-1988 (In percent)**

Year	PHILIPPINES			INDONESIA		
	Urban	Rural	Total	Urban	Rural	Total
FPL						
1984	-	-	-	20.1	28.4	26.6
1985	15.3	30.0	24.4	-	-	-
1987	-	-	-	9.9	22.6	20.4
1988	12.1	25.3	20.3	-	-	-
PL						
1984	-	-	-	48.1	56.7	54.8
1985	52.5	62.2	58.5	-	-	-
1987	-	-	-	39.6	49.5	47.3
1988	48.2	59.5	55.2	-	-	-

Source: Asra and Viola (1992).

Notes: 1. The poverty incidences were derived from the number of poor households in 27 provinces of Indonesia or from the number of poor families in 14 "regions" of the Philippines.

2. For Indonesia, the distribution of households by household expenditure was used while in the Philippines, the distribution of families by family income was employed.

3. FPL and PL stand for food poverty line and poverty line, respectively.

(Table 6) when the Philippine methodology is adopted as closely as possible to the Indonesian situation. On the whole, the poverty incidence in Indonesia was still lower than that in the Philippines. Moreover, in Indonesia, the poverty incidence dropped by about 7 percentage points in three years (1984-1987), while in the Philippines, it declined by only around 3 percentage points.

It is of importance to note that while the original figures of poverty incidences in Indonesia in 1987 indicated higher urban poverty incidence than rural poverty incidence (Table 3), the results of this exercise show the reverse (Table 6). This is due to the fact that the ratio of urban poverty line to rural poverty line used in this exercise is lower (53.3% compared to 68.8%). This exercise also indicates that during 1984-1988 urban-rural differences in the poverty estimates are similar in both countries, around 9 to 10 percentage points, whereas in Indonesia's official estimates the difference is very much narrower and, on some occasions, runs contrary to the usual expectation of higher poverty incidence in rural than in urban areas.

CONCLUSIONS

This exercise started with an astonishingly wide difference in the poverty incidences in the two countries during 1980–1984 and during 1984–1988, which were about 24 percentage points and 37 percentage points respectively, with lower poverty incidence in Indonesia compared to the Philippines.

In the main, the big gap in the poverty incidence estimates for the two countries is found to be due mostly to the differences in the way of providing for the non-food component of the poverty line. In fact, if only the food poverty line is used, the gap is only between 14 to 16 percentage points rather than 37 percentage points. Based on household expenditure the poverty incidence in Indonesia was still lower than that in the Philippines (20–23% in the former and 36–37% in the latter). Using poverty line with the same adjustment procedure, the gap is reduced by 15 to 20 percentage points. In short, it can be concluded that about half of the observed difference in the poverty incidence in Indonesia and the Philippines is due to the differences in the procedure for estimating the non-food component of the poverty line.

A full-fledged adoption of the Philippine approach for deriving poverty incidence to the Indonesian situation confirms the expectation that **the poverty incidences in the two countries should be about the same**. The poverty incidence in the two countries during the period 1984–1988 did not differ significantly: the gap was at most two percentage points if the food poverty line was used and between 4 to 8 percentage points if the poverty line was applied. The poverty incidence in the two countries was between 20%–26% based on the food poverty line and between 48%–58% based on the poverty line with the poverty incidence in Indonesia lower than that in the Philippines.

This study does not try to produce better and more implementable methodologies for poverty estimation in the two countries. As rightly pointed out by Drewnowski (1977, p. 193), “poverty standards adopted by those who conceive, prepare and undertake action to eliminate poverty are more relevant than those which are elaborated without intent or possibility that they will ever influence practical activity”. This exercise tries to argue instead that poverty is underestimated in Indonesia and overestimated in the Philippines. Moreover, the implicit policy relevance of this study is that the use of

the “official” estimates of poverty incidence for the two countries for allocating resources can be misleading. In this case, the Philippines seems to need more resources than Indonesia for poverty alleviation program as the official poverty estimates in the former are higher than in the latter, when in fact, the difference is not that significant if similar procedures are used for measuring poverty.

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